

USAC
UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 4, 1997

Secretary
Federal Communications Commission
1919 M Street NW
Washington, DC 20554

Attention: Universal Service Branch

RE: CC Dockets 96-45 & 97-21 Universal Service Billing Process

The Universal Service Administrative Company, Inc. (USAC), on instruction of its Board of Directors herein requests that the Commission consider an alternative to its decision to require quarterly billing and collection of Universal Service contributions. USAC's Board, comprised of a cross-section of industry participants in the programs, both potential contributors and recipients, believes that collection of funds on a monthly basis will facilitate funding of the programs.

Quarterly collection of the entire funding requirement will have severe consequences for the industry in that funds will be required to be submitted to the administrator in advance of the ability to collect monies through individual carrier rates, thus creating cash flow problems for contributing carriers. Several parties raised this concern when they called USAC with questions regarding how to complete the FCC's Form 457. In addition, the ability to net is limited to withholding of support payments for those carriers that have not submitted their required contributions.¹

The Commission's July 17, 1997 Order in CC Dockets 96-45 and 97-21 on NECA governance established USAC and addressed the billing and collection process. Section 54.709(a)(4) of the Commission's rules requires the administrator to bill and collect funds for Universal Service on a quarterly basis. In the Order at paragraph 49, the Commission stated that USAC will "multiply the entity's universal service contribution base (i.e., its interstate, intrastate, and international end-user telecommunications revenues or its interstate and international end user revenues) by the relevant universal service contribution factor. USAC is to then bill each contributor for the amount of its contribution. Contributors must remit all contributions by the contribution due date." In a subsequent Public Notice on Frequently Asked Questions (FAQ) by Wireless providers, the Commission indicated that it would in a future Public Notice establish when and where the monies were to be sent.²

While the Commission's rules are clear in the development of the amount to be billed (i.e., a quarterly contribution), there appears to be some flexibility on the collection side in that the FAQ indicated that the

¹ The Commission's Public Notice establishing the payment dates and contribution factors could also direct carriers to indicate their desire to have future contribution requirements "netted" against support payments that they are entitled to receive.

² Public Notice DA 97-2157, released October 6, 1997, Frequently Asked Questions by Wireless Service Providers.

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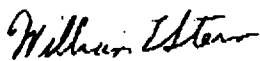
Commission would announce payment due dates. Billing could still be done on a quarterly basis, with the initial bill from USAC (December 1997 for 1Q98) containing the full quarterly contribution amount. The Commission, in its Public Notice establishing the contribution factors (assumed to be issued in mid to late November) could provide carriers with a payment option where they could either remit the full quarter's contribution requirement 30 days after the billing date, or remit one third of their requirement 30 days after the billing date, one third 60 days after the billing date, and the final one third 90 days after the billing date.

Based on USAC's projection of funding requirements for the first quarter of 1998, approximately \$970 Million will be collected in early January for distribution throughout the entire first quarter. High cost support distribution for the first month will not occur until the end of January or early February. Both the schools and libraries and rural health care programs have 40 day lags built into their request for payment and disbursement processes which will likely result in their initial disbursements not occurring until the second week of February at the earliest. Lifeline actuals for the month of January will not be reported until some time in February for distribution at the end of February or early March. As a result, a sizeable portion of the required funding will sit in the administrator's account and earn interest before it is distributed to funding recipients.

Given the lag between funds collection and funds distribution, it would appear that sufficient funds would still be available to handle any distribution requirements if funds were to be collected monthly rather than quarterly, and that interest income to offset the costs of administration of the programs would still likely accumulate, albeit not at the rate that it would if all contributions for the quarter were collected in the first month.

If the Commission believes that it does not have the discretion to interpret its rules regarding the collection of funds in the manner suggested by USAC and that a rulemaking is required, USAC will formally file an expedited petition for waiver of Section 54.709(a)(4) as well as a petition for rulemaking.

Sincerely,


William E. Stern
USAC-CEO (Acting)

cc: T. Peterson
D. Law